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IEEE President's Column: IEEE Is Also a Business

Except for a few that have large endowments, not-for-profit organizations couldn't survive long without producing a profit

By John R. Vig



Photo: Bill Cramer

THE INSTITUTE IEEE's revenues last year topped US \$340 million. So, in addition to being a not-for-profit membership organization, the publisher of journals and standards, and the organizer of conferences, IEEE is also a large business.

As are all other not-for-profits, IEEE is a business even though it exists solely to provide scientific and educational programs, and services of benefit to the public. And like for-profits, it has revenues, expenses, and budgets designed to result in a profit at the end of the year.

The difference between a for-profit and not-for-profit organization is not in the ability to make a profit but in how the surplus revenue is used. In a tax-exempt not-for-profit organization like ours, profits, by law, may not be used to benefit private individuals. The profits must be reinvested in the organization to further its mission or be added to reserves. Our financial statement can be found in the [IEEE Annual Report](#).

What are the sources of IEEE's revenues? Basic membership dues bring in only 9 percent of the total; conference events and proceedings, 38 percent; periodicals, 36 percent; society dues and assessments, 5 percent; standards, 7 percent; and investments and other sources, 5 percent. All told, IEEE depends on conferences and publications for three-quarters of its revenues. Both face serious competition. For the future health of IEEE, we must diversify our revenue sources. But that is a topic for another column.

What are the costs of operating IEEE? The annual report shows that our many programs account for 97 percent of our expenses. That includes costs associated with serving members, publishing *IEEE Spectrum* and other periodicals (including maintaining the IEEE digital library platform, IEEE Xplore), organizing conferences, producing standards, and conducting educational activities. The remaining expenses are the general and administrative costs to keep IEEE up and running every day.

We do try to make a profit. Except for a few that have large endowments, not-for-profit organizations couldn't survive long without producing a profit. And like families saving for a "rainy day," we save some of our profits for IEEE's long-term protection and preservation. For example, reserves may be used to cover deficits that could result from a pandemic or a severe economic recession such as the one we have been experiencing this year. Either situation could drastically reduce conference attendance, for example. The reserves also can be used to fund strategic programs such as large-scale improvements to our IT infrastructure and major upgrades to IEEE Xplore, and to help us weather the economic impact of a legal judgment against us.

What is the “right” level of reserves? That’s decided by the Board of Directors based on a data-driven risk assessment of IEEE operations. The proper level of reserves for this year has been determined to be between \$178 million and \$254 million. Reserves are now \$159 million, below the target due to the faltering investment markets of 2008–2009.

Revenues, expenses, and profits are basic metrics for any business. But for IEEE, our success also is measured by how well we adhere to our core values. The most important of the values is service to humanity—which has been imbued in IEEE since the inception 125 years ago of the American Institute of Electrical Engineers, one of IEEE’s predecessor societies. That’s why in this 125th anniversary year, I initiated the IEEE Presidents’ Change the World Competition to recognize students who develop unique solutions to humanitarian or community problems.

The winner of the 2009 competition, a team from Stanford University, was one of 200 entries. The Stanford team designed a handheld device to test bodily proteins for diagnosing illnesses. The tool promises to be especially useful in home diagnostic kits and in remote areas of developing countries.

Another entry was the energy kiosk from a UK team. It is a solar-powered charging station that offers a source of electricity in remote areas. Batteries charged at the kiosk can be used at home for such things as lighting, phones, and powering a radio.

The Agrobot entry from India is a solar-powered robot that can sow crops, spray fields, weed, and control pests—agricultural jobs normally done by several costly machines or with less efficient manual labor.

Each day, IEEE members help create prosperity in business, industry, government, and education. Our efforts are supported by the profits produced by IEEE publications, standards, conferences, continuing education, and other activities. We are strong in every measure, and we shall continue to be the world’s leading professional association for the advancement of technology. But for IEEE to truly achieve its vision, IEEE needs you, its members, to apply your skills and education to provide solutions to the most pressing humanitarian challenges. There is no higher calling.

Send me your ideas and any other comments to Vig.column@ieee.org.